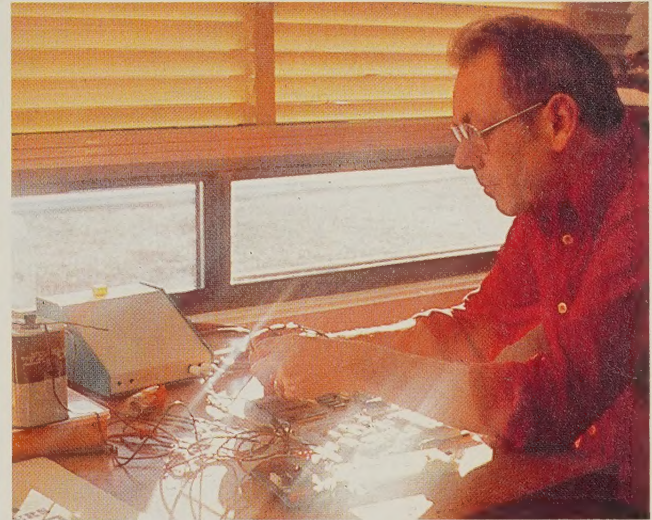
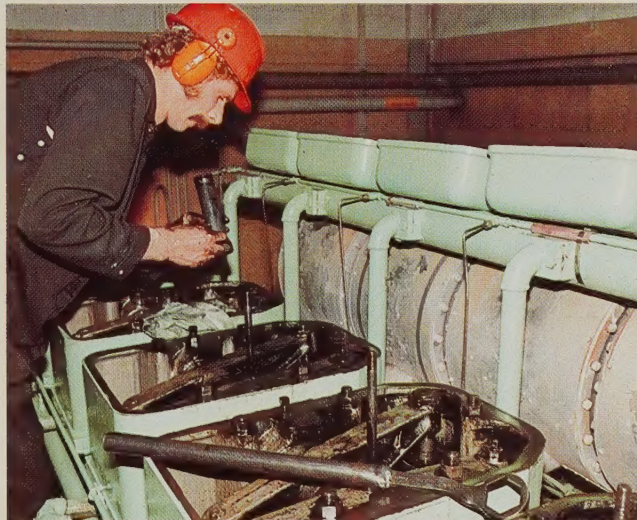


## Annual Report 1979



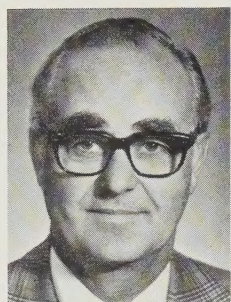
PEOPLE AT WORK . . .  
on the path of the pipe line



# Twenty Ninth Annual Report 1979

## TRANS MOUNTAIN PIPE LINE COMPANY LTD.

Annual Meeting  
April 16, 1980 — 10:00 A.M.  
Social Suite, Hotel Vancouver  
Vancouver, British Columbia



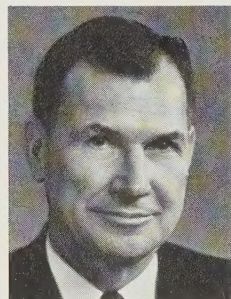
K. L. HALL  
President & C.E.O.



K. P. BENSON



L. P. BLASER



R. L. BRIDGES



L. M. COOK



C. B. MACDONALD



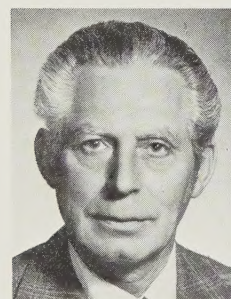
A. M. MCGAVIN



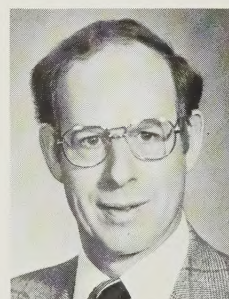
A. G. SEAGER



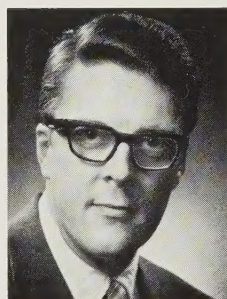
W. A. WEST



A. A. GOULSON  
Vice President-Treasurer



E. J. LOCKWOOD  
Vice President-Operations



G. A. IRVING  
Secretary

**The Front Cover:** Top Left, F. WAREING, Elec. Mtce. Supervisor & D. LARSON, Tech. I. Elec. Mtce. - Edmonton; Top Right, Pump Station and Tank - Edmonton; Centre Left, P. WILLFORD, Technician I - Edson; Centre Right, J. GRINDROD, Sr. Instr. Mtce. Supervisor - Kamloops; Bottom Left, I. HOPKINS, Technician 2 & J. NICHOLSON, Technician I - Jasper; Bottom Right, R. MELLER, Technician 2 - Kamloops.

### BOARD OF DIRECTORS

K. P. BENSON  
President & Chief Executive Officer and Director  
B.C. Forest Products Limited  
(Elected February 19, 1979)

\*L. P. BLASER  
President and Chairman  
Gulf Canada Products Company  
and Director of Gulf Canada Limited

R. L. BRIDGES  
Partner  
Thelen, Marrin, Johnson & Bridges

L. M. COOK  
Senior Vice President  
Atlantic Richfield Company

J. W. FLANAGAN  
Senior Vice President and Director  
Imperial Oil Limited  
(Resigned February 19, 1979)

K. L. HALL  
President and Chief Executive Officer  
Trans Mountain Pipe Line Company Ltd.

J. H. HAMLIN  
Senior Vice President and Director  
Imperial Oil Limited  
(Resigned August 15, 1979)

\*C. B. MACDONALD  
President and Managing Director  
Chevron Canada Limited

\*A. M. MCGAVIN  
Chairman of the Board  
McGavin Foods Limited

A. G. SEAGER  
Vice President — Oil Products  
Shell Canada Limited  
(Elected April 19, 1979)

D. J. TAYLOR  
Vice President, Oil  
Shell Canada Limited  
(Resigned April 18, 1979)

W. A. WEST  
Vice President and General Manager Logistics  
Imperial Oil Limited  
(Elected August 15, 1979)

### OFFICERS

K. L. HALL, President & Chief Executive Officer  
E. J. LOCKWOOD, Vice President-Operations  
A. A. GOULSON, Vice President-Treasurer  
G. A. IRVING, Secretary  
G. F. REEKS, Comptroller and Assistant Treasurer  
F. W. ADAM, Assistant Secretary  
J. G. TORRANCE, Q.C., Assistant Secretary

### HEAD OFFICE

400 East Broadway, Vancouver, British Columbia  
Canada V5T 1X2

### TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited  
Vancouver, Calgary, Edmonton, Winnipeg,  
Toronto and Montreal

### AUDITORS

Price Waterhouse & Co.  
Vancouver, British Columbia, Canada

\*Member of Audit Committee



# 1979 — The Year in Brief

	1979	1978	Increase (Decrease)
Deliveries (cubic metres per day)* .....	30,345.4	24,839.9	22.2%
Income .....	\$ 37,590,894	\$ 30,640,586	22.7%
Expense .....	21,303,815	20,644,900	3.2%
Earnings (after income taxes) .....	8,224,079	4,930,686	66.8%
Per share .....	1.08	0.65	
Dividends per share .....	1.20	1.20	
Capital expenditures .....	537,670	810,639	
Fixed assets at cost .....	165,474,497	165,895,865	

\*Including propane and jet fuel



**THE COMPANY'S BUSINESS** The Company owns and operates a pipeline system for the transportation of crude oil from Edmonton, Alberta, Edson, Alberta and Kamloops, British Columbia to its tank farm and marine terminal in Burnaby, B.C., together with a spur line from Sumas, B.C., to the International Boundary. At the International Boundary the Company's pipeline joins that of its wholly-owned subsidiary, Trans Mountain Oil Pipe Line Corporation, which owns and operates the system in the State of Washington.

The Company also operates a facility on Burrard Inlet for receiving, refrigerating and loading tankers with Canadian propane export. Trans Mountain Enterprises of British Columbia Limited operates a pipeline for the transportation of jet fuels from refineries in the Vancouver area to the Vancouver International Airport.

Owning no wells itself, no refineries of its own, nor the oil it transports, Trans Mountain is solely a carrier, providing shippers of crude oil with economical trunk line transportation from the areas of production to refining centres and to marine facilities for onward shipment via ocean-borne tanker. The system is of vital importance in the event of hostilities or any other interruption in the movement of crude oil internationally.



# Report to the Shareholders

## METRIC CONVERSION

As of January 1, 1979 the transportation segment of the oil industry in Canada adopted the metric system of measurement using the cubic metre (symbol m<sup>3</sup>) as one standard unit of volume replacing the barrel unit. Accordingly references to petroleum volumes in statistical tables of this Annual Report will be in terms of cubic metres rather than barrels as in the past. A cubic metre is approximately 6.29 barrels.

## DELIVERY VOLUMES

Petroleum deliveries in 1979 averaged 27,646.3 cubic metres per day, an increase of approximately 5,200 cubic metres or 23.2% over the 1978 daily average. The throughput to Washington State, under exchange agreements arranged by the shipper refiners, averaged 5,043 cubic metres per day accounting for approximately 2,340 cubic metres of the 1979 increase. Average daily deliveries to British Columbia refineries increased by approximately 2,710 cubic metres or 13.7% to 22,450.8 cubic metres in 1979.

Petroleum deliveries for 1980 are presently forecast to average approximately 26,000 cubic metres daily including an estimate of 3,600 cubic metres daily of exchange volumes to Washington State.

Propane export loadings for Japan and pipeline deliveries of jet fuel to Vancouver International Airport also increased in 1979 by about 4% and 20% respectively over the previous year, and are expected to continue in 1980 at about the same volumes as in 1979, or slightly greater.

Tables of delivery volumes for the past three years are presented in an Oil Movements summary elsewhere in this Annual Report.

## FINANCIAL RESULTS

Consolidated earnings for 1979 were \$8,224,079 or \$1.08 per share after provision for income taxes of \$8,063,000. The increase in net earnings in 1979 is almost entirely

attributable to additional revenue provided by greater delivery volumes, and to a small extent to higher interest rates earned on temporary cash investments. Gross income for the year totalling \$37,591,000 (up 22.7% from 1978) included operating revenues of \$35,338,000 and investment income of \$1,979,000.

Total expenses of \$21,304,000 included a write-off in the amount of \$383,000 of the original acquisition costs of certain unused rights-of-way in Washington State which were abandoned. The income tax reduction attributable to this write-off amounted to \$189,000. General operating expenses showed an increase of \$583,000 over the previous year, while there were minor reductions in taxes, other than income taxes and in depreciation provisions. A generally downward revision in depreciation rates was approved by the National Energy Board to be effective for the most part as of January 1, 1980. It is estimated that the revisions will result in a reduction in 1980 of approximately \$1,000,000 in depreciation charges.

The costs incurred by the Company and its U.S. subsidiary corporation in the development of its application in both countries for a new west-to-east pipeline system totalled \$1,359,000 as at December 31, 1979 in terms of Canadian dollars. The disposition of these costs is being deferred until it is known whether or not the project can proceed, and the above amount is reflected on the Balance Sheet accordingly.

The Company paid ordinary dividends in the year totalling \$1.20 which exceeded 1979 earnings by an amount of 12 cents per share with the excess serving to reduce the Company's retained earnings by approximately \$872,000. The right of Class B shareholders to receive tax-deferred dividends was terminated by legislation effective January 1, 1979 and subsequently the Class A and Class B shares were redesignated and now constitute a single class of shares.

## N.E.B. RATE REGULATION

Trans Mountain's tariff rates for the transportation of petroleum in Canada were for the first time fixed by the National Energy Board in January, 1978, following a public hearing which was held in November and December, 1977. Those rates remained in effect until October 1, 1979 when they were reduced by approximately 4%. In November 1979, the NEB advised that further consideration should be given to the appropriateness of the Company's current tolls, particularly in view of the fact that crude oil deliveries were exceeding earlier forecasts with a resultant impact on earnings. Following a meeting in January, 1980, the Company has undertaken to file a new rate application under Part IV of the NEB Act by June 30, 1980, and it is expected that the NEB will set the application down to be heard in late summer or early fall.

The National Energy Board Act, to which Trans Mountain is subject, requires that tolls be "just and reasonable", however neither the Act nor the Regulations made thereunder specify the manner by which this determination is to be made. In fixing tariff rates for Canadian oil pipeline companies the NEB has adopted the rate base/rate of return concept of rate regulation which previously had been used primarily in the regulation of utility systems. Unlike most utility systems the oil pipeline companies such as Trans Mountain provide transportation only and are not involved in buying or selling the product being transported. The application of this method of regulation to companies which are no longer expanding and therefore making relatively minor additional capital investments has serious implications as to future earnings.

One of Trans Mountain's chief concerns is the determination of rate base. The NEB included in Trans Mountain's rate base an allowance for working capital and only those items of the transportation plant which the NEB found to be "used and useful" and valued at historic cost less



accumulated depreciation. If the NEB continues its present method of regulation, Trans Mountain, through its annual depreciation and amortization charges, and failing any substantial new capital investment, will suffer a continuing decline in its earnings rate base regardless of annual throughput up to present design capacity.

## **OIL PORT AND PIPELINE PROPOSAL**

The proposal to construct a west-to-east pipeline system from a marine terminal in Washington State to Edmonton, Alberta, continues to make progress through the political screening and regulatory processes. Trans Mountain's application to the National Energy Board for a Certificate of Public Convenience and Necessity authorizing the construction of a parallel pipeline and pumping facilities to provide for the flow of oil from the International Boundary near Sumas, B.C., to Edmonton was filed with the NEB on April 12, 1979. Public hearings were held in Ottawa and Vancouver in October and November. The decision of the NEB has not yet been announced but is expected in February, 1980.

The President of the United States was required to make a statement on the various proposals in response to legislation passed by the United States Congress on November 9, 1978, cited as the "Public Utility Regulatory Policies Act of 1978" and, in particular, Title V of the Act "Crude Oil Transportation Systems".

The President, after consultation with the Secretary of the Interior, the Secretary of Energy and Prime Minister Clark of Canada issued his decision on January 18, 1980. The White House statement read in part:

*"... the President has decided that a west-to-east transportation system is in the national interest.*

*"The President has decided to accept the recommendation of Secretary of the Interior Andrus and approve the proposal of the Northern Tier Pipeline Company for purposes of Sections 508, 509, 510 and 511 of Title V. These sections confer special procedural and other opportunities on Northern Tier while it seeks the financial backing and throughput agreements to permit the system's construction. If Northern Tier is unable to secure adequate financial support within a year from the date of the President's approval, or six months following the Washington State Energy Facility Siting and Evaluation*

*Council's decision (if it is favourable), whichever is longer, the Trans Mountain Oil Pipe Line Corporation will be given an opportunity to take advantage of the same Title V provisions and secure financing for its proposed system.*

*"Trans Mountain's proposal is an attractive alternative which also, on balance, would be in the public interest. Although it does not yet have formal Canadian Energy Board approval, it will require fewer permits in the U.S. and thus has less need for Title V treatment.*

*"The President's approval of the Northern Tier Pipeline System confers the opportunity to obtain an expedited review and issuance of permits, and limited judicial review. It does not assure the ultimate construction of either the Northern Tier or Trans Mountain proposal. The Federal government will not be financing or constructing these proposed pipelines. No federal funds are or will be involved.*

*"The ultimate decision as to whether or not a west-to-east crude oil transportation system will be constructed cannot be made by the President, but will be a decision arrived at solely by private financial markets. The proper role of the Federal government in this case is to make certain that public concerns are being looked after, specifically those concerns related to the environment, national energy and economic security, and the maintenance of competitive markets. . ."*

*"... the Canadian government strongly supported the all-land Northwest Energy Company (Foothills) proposal. Secretary Andrus recommended that the President not approve the Foothills all-land proposal because it is the least flexible alternative system in view of the fact that it relies entirely on Alaskan crude oil and was not economically viable. The President agreed with that assessment and so informed the Canadian government. Canada then informed us of its strong support (subject to approval of the Canadian Energy Board) for the Trans Mountain system and strongly urged its approval."*

Trans Mountain Oil Pipe Line Corporation is making applications to the regulatory bodies having jurisdiction in the United States for appropriate authorization allowing it to construct a marine terminal and additional pipeline facilities in the State of Washington. An application was filed

with the Energy Facility Site Evaluation Council in Olympia, Washington on August 21, 1979. This application is proceeding through the review and public hearing process. A decision is anticipated in the fall of 1980.

## **DESCRIPTION OF THE PROJECT**

Trans Mountain proposes to construct additional facilities to provide for the flow of oil from the west coast to Edmonton and thence, by existing pipelines, to refineries along the Canada/U.S. border. As the new pipeline will parallel the existing east-west pipeline this proposal will in no way inhibit Trans Mountain's capability of delivering the required volumes of Canadian oil to west coast refineries in British Columbia and Washington State.

In accordance with the proposed phasing out of oil exports from Canada, a number of important refineries in the north central area of the U.S. are in serious need of an alternate source of supply of crude oil. For many years, these refineries have been supplied by pipelines originating in Alberta; primarily the pipeline systems of Interprovincial Pipe Line Limited, running from Edmonton, Alberta and the Rangeland system to Montana.

If a sufficient volume of oil of the right ranges of quality can be transported to Edmonton, the requirements of the land-locked refineries in the north central United States can be met. The basic problem is that there is no existing pipeline system to transmit inland, Alaskan and other offshore crude oils available.

Trans Mountain's pipeline system is at present operating at less than half of its capacity. The system was formerly required to move oil from Alberta and northern British Columbia to refineries on the west coast of British Columbia and Washington State. Government policy reduced the export of oil from Canada and, by the end of 1976, eliminated deliveries to the refineries in Washington, except for minor volumes delivered in accordance with exchange agreements.

By way of illustration, in the 10-year period from 1966 through 1975, 67% of Trans Mountain's average annual deliveries went south of the border and 31% was delivered to refineries in British Columbia, with the remaining 2% being delivered to tankers in Vancouver bound mostly for Eastern Canada.

The present pipeline system includes 1,150 km of 610 mm diameter pipe from Edmonton to Vancouver. Parallel



to this, and not required at the present time, are 160 km of 762 mm pipe. At the International Boundary, the pipeline connects with that of Trans Mountain Oil Pipe Line Corporation which owns and operates a 103 km system of 508 mm and 406 mm diameter lines. This system serves the four major refineries located in the Puget Sound area of Washington State.

The proposal is to install two single-point mooring buoys at a location 29 km west of Port Angeles on the south side of the Strait of Juan de Fuca. These would be connected by underwater pipelines to a tank farm on shore. A 36-inch (914 mm) pipeline then would connect this terminal to the existing Trans Mountain facilities in Washington State. A new 30-inch (762 mm) pipeline would be laid in Canada, utilizing the 160 km of pipe already available and eight existing pump station sites, to connect the Washington State system with crude oil terminals in Edmonton, Alberta. As a result of declining oil reserves in Canada, and the resulting reduction in exports of oil from Canada, sufficient capacity east from Edmonton can be made available to accommodate oil delivered to Edmonton by the Trans Mountain system. A statement by Interprovincial Pipe Line Limited in support of this assessment of reserve pipeline capacity east of Edmonton was filed with the National Energy Board at the public hearing in October, 1979. Hudson's Bay Oil and Gas Company Ltd., also testified at the hearing that suitable connections could be made for delivering the required volumes of oil to Montana via the Rangeland pipeline system.

### TANKER TRAFFIC

Oil tankers have been serving British Columbia and Washington State requirements for crude oil and petroleum products for more than fifty years. At the present time some 600 tankers each year enter and leave the Strait of Juan de Fuca. About half of these carry crude oil inbound to the six refineries in Washington State. The other half carry refined petroleum products to various destinations in British Columbia and Washington or cargoes of product outbound from the refineries. None of the West Coast pipeline proposals put forth will alter the volume of crude oil required by these refineries or the volume of movement by sea of refined products.

The Trans Mountain proposal would involve receiving an additional 500,000 barrels per day of crude oil. However,

by designing the crude oil terminal to receive larger quantities of oil than that required by the inland refineries alone, a major portion of the crude oil now being received could be handled through this same terminal. This would not increase the total number of tankers required but it could involve tankers of a larger average size. They could be restricted to the 29 km wide outer end of the Strait of Juan de Fuca and this could eliminate much of the crude oil tanker traffic in the inner sound. As the Trans Mountain system is already connected to the four major oil refineries on the Northern Puget Sound deliveries from this new terminal could be made to any of these refineries in addition to the required deliveries to Edmonton. This is the "hookup" principle referred to in President Carter's statement and which is already embodied in the Trans Mountain proposal. The Northern Tier proposal would involve additional oil movements by tankers of 700,000 to 900,000 barrels per day and does not include provision for delivering oil to the Washington State refineries.

A report issued by Environment Canada identified the Trans Mountain proposal as being, on balance, the most environmentally acceptable of any of the proposals. The report stated that "*Canada should inform the United States that Trans Mountain is the preferred proposal, on the condition that the U.S. require mandatory hookup*". Similar favourable comments on the desirability of the Trans Mountain proposal, on both environmental and economic considerations, were made by the U.S. Environmental Protection Agency.

### BENEFITS TO CANADA

We believe that the Trans Mountain proposal is in the national interest of both Canada and the United States. It should be a matter of some concern that there is not a significant crude oil terminal connected to a pipeline leading inland anywhere on the west coast of North America north of the Panama Canal.

The Trans Mountain project can be completed and operational within 20 months of issuance of the necessary permits. Capital costs are less than half that of any competing proposals. Maximum use will be made of existing and under-utilized oil transmission facilities which will require no new rights-of-way thus ensuring minimum environmental disruption and minimum costs of transportation.

The Trans Mountain proposal offers the obvious advantage to northern U.S.

refineries of secure transportation for new oil supplies. At the same time it does not inhibit the continued supply of Alberta oil to British Columbia refineries by means of the existing 24" pipeline system. It also would have the capability to supply offshore crude oil to any Canadian refinery from Vancouver to Montreal should the need arise. Continued maximization of the use of the pipeline systems originating in Edmonton will ensure that the transportation costs from Alberta to Canadian refineries will be kept to a minimum, thereby benefitting the Canadian consumer. We believe that the operation can be handled safely and efficiently and that all reasonable permitting requirements can be met to the satisfaction of the regulatory bodies involved.

### GENERAL

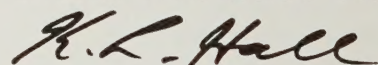
Several oil companies distributing petroleum products on Vancouver Island have for some time been considering possible beneficial changes that might be made in this phase of their respective operations. Trans Mountain obtained an option to purchase suitable property on the Island and submitted designs and a proposal to the oil companies for the construction and operation of a common products unloading terminal and distribution centre. This proposal was not accepted in its present form and the Company is studying other options.

During the year several changes occurred on Trans Mountain's Board of Directors: —

On February 19, Mr. Kenneth P. Benson of B.C. Forest Products Limited was elected following the resignation of Mr. Warren J. Flanagan of Imperial Oil. On April 19, Mr. Alan G. Seager of Shell Oil was elected to replace Mr. Donald J. Taylor who did not stand for re-election. On August 15, Mr. William A. West of Imperial Oil was elected following the resignation of Mr. John H. Hamlin.

Company management wishes to express its sincere appreciation of the valuable assistance given by those directors who have retired and to those presently serving on the Board. It wishes also to give particular thanks to all of its employees for their continued dedication and valued contributions.

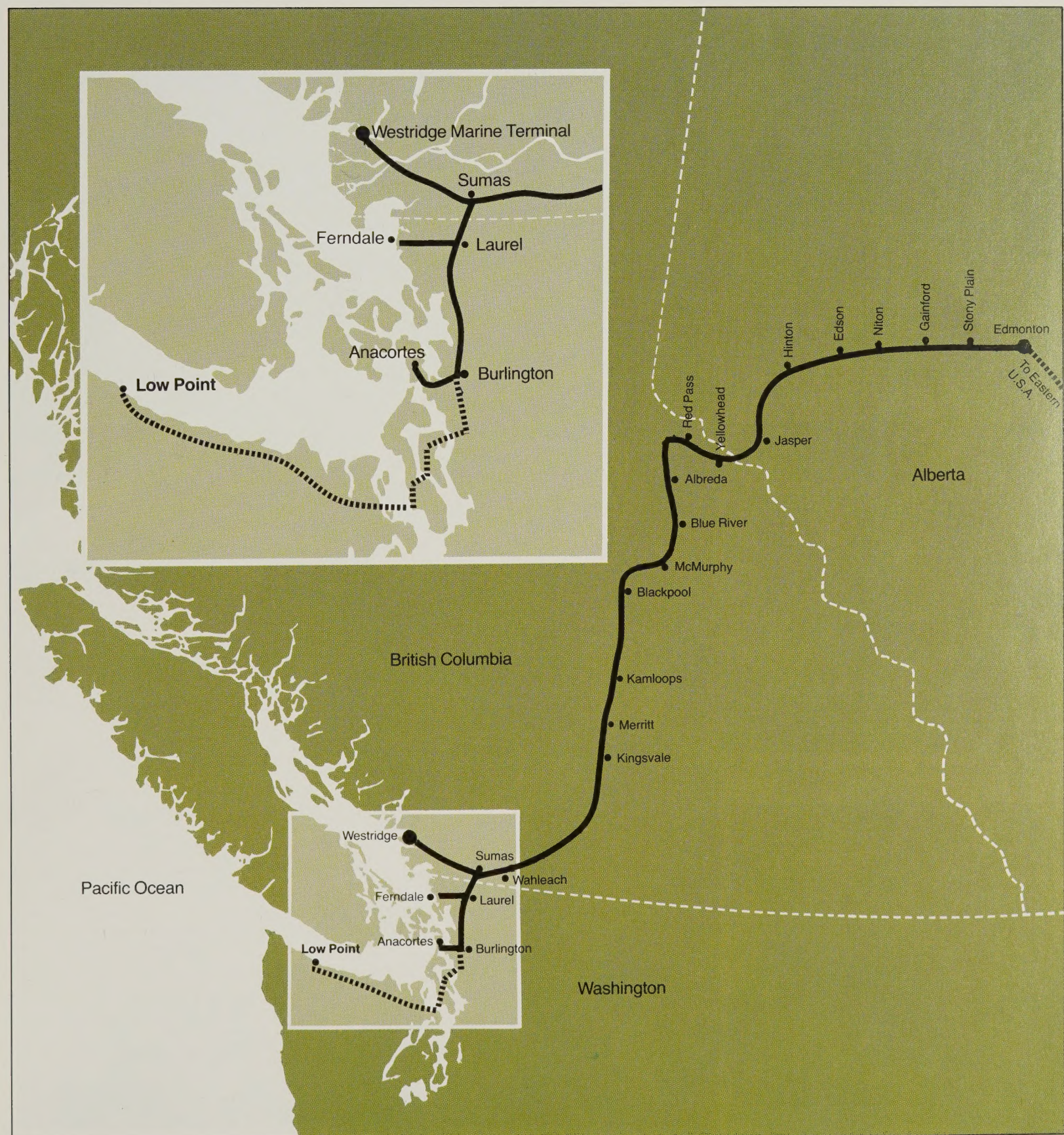
On behalf of the Board of Directors,



K. L. Hall  
President and  
Chief Executive Officer



# Proposed West-East System Trans Mountain Pipe Line Company Ltd.



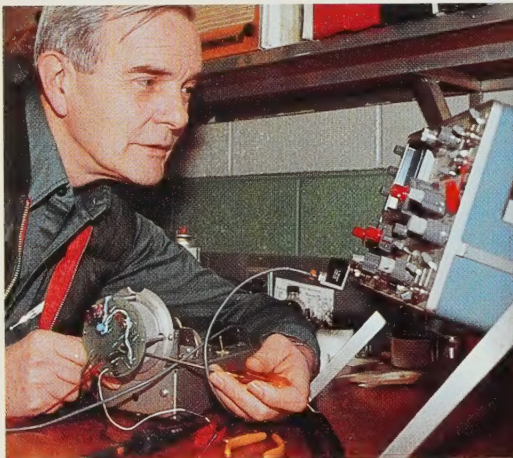


# Trans Mountain Pipe Line Company Ltd.

## PEOPLE AT WORK



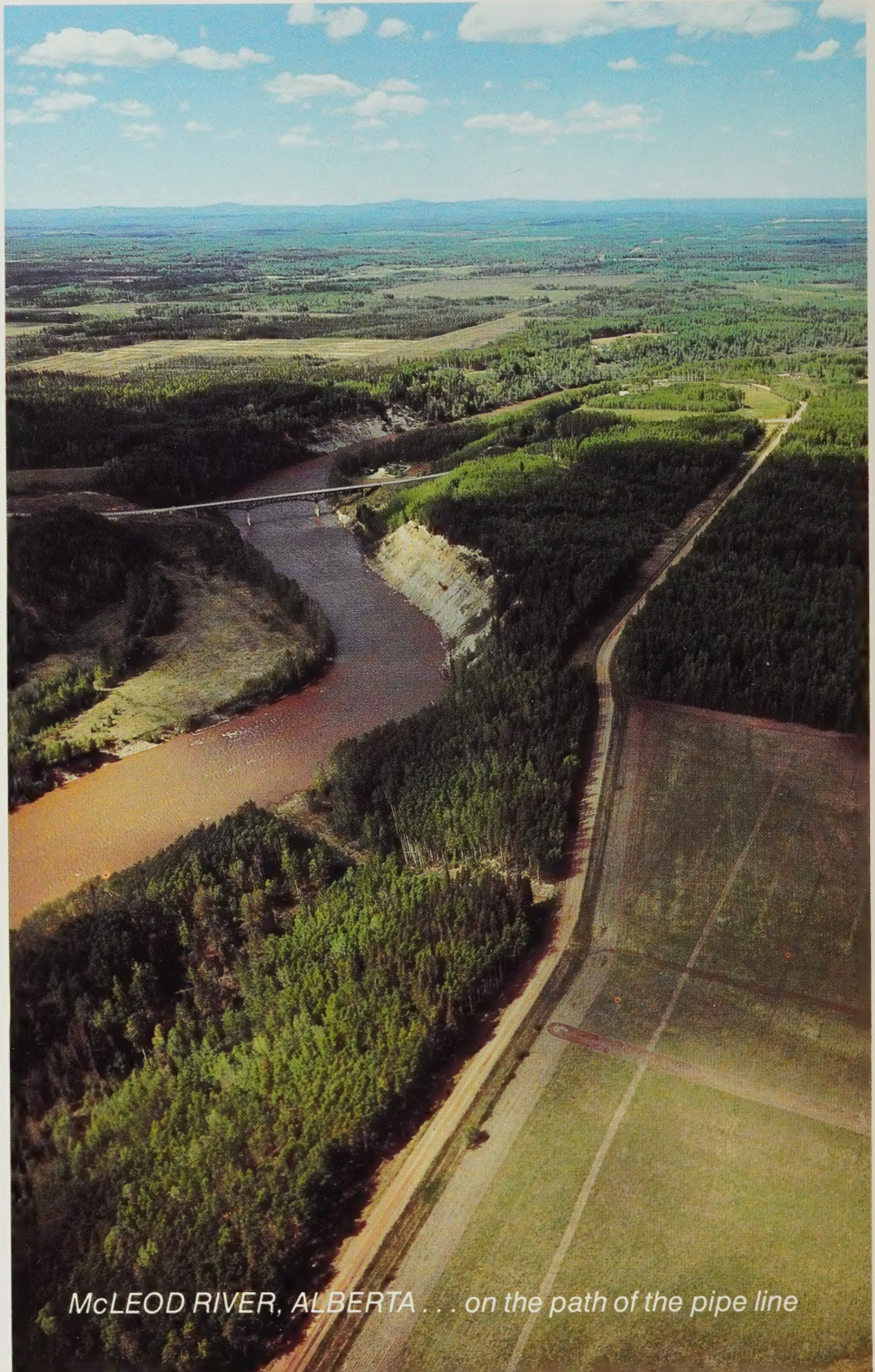
L. SCHRADER, Temp. Steno & G. GORMAN,  
Div. Clerk — Edmonton



A. HARRINGTON, Instr. Mtce. Supervisor —  
Edmonton



J. CHILD, Control Station Operator — Edson



*McLEOD RIVER, ALBERTA . . . on the path of the pipe line*





T. SABELA, Trainee Mech. Mtce. —  
Edmonton



E. BELLMOND, Terminal Gauger — Edson

**THE T. M. TUBE SERVICE** Pipelines operating over long distances at peak capacity provide the most efficient transportation system known to man.

Being buried, they do not prohibit the use of the land through which they are laid. Their out-of-sight, out-of-mind anonymity says it all about pipelines. They are clean, quiet and safe.

On a ton-mile basis, pipelines are 1400 times safer than trucks and 500 times safer than railways. Because they are seldom affected by nature's whims, pipelines enjoy a year-round operating factor of over 98%. Pipelines carry over 50% by weight of the total surface freight moved in North America. Where safety is concerned, both from the standpoint of personal injuries and damage to property, pipelines have an excellent record. Statistics prove the safety record of fluid pipelines is tops in transportation methods.

The entire route of the Trans Mountain pipeline is patrolled weekly by helicopter to inspect the right-of-way for any signs of damage or encroachment. The helicopter is in constant touch by radio with Company personnel at all points of the system.

Good pipeline maintenance requires skilled personnel and heavy equipment to be available for immediate movement to any location should the occasion arise. These pipeline maintenance crews are equipped with two-way radio vehicles and, where conditions warrant, sno-cats and muskeg crawlers. Where improved roads do not exist to provide access to the right-of-way, the Company has built private roads and bridges.

In terms of safety, the Trans Mountain record during 26-plus years of operation stands second to none.



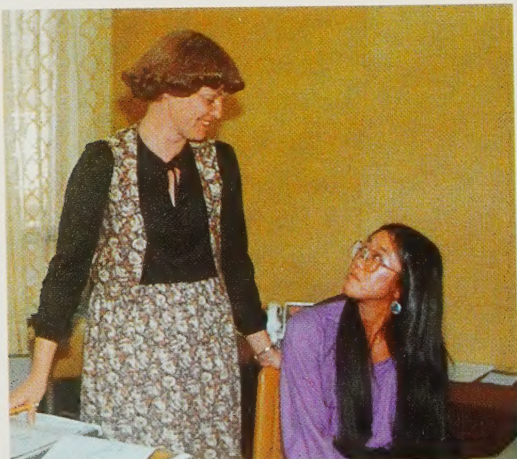
# Trans Mountain Pipe Line Company Ltd.



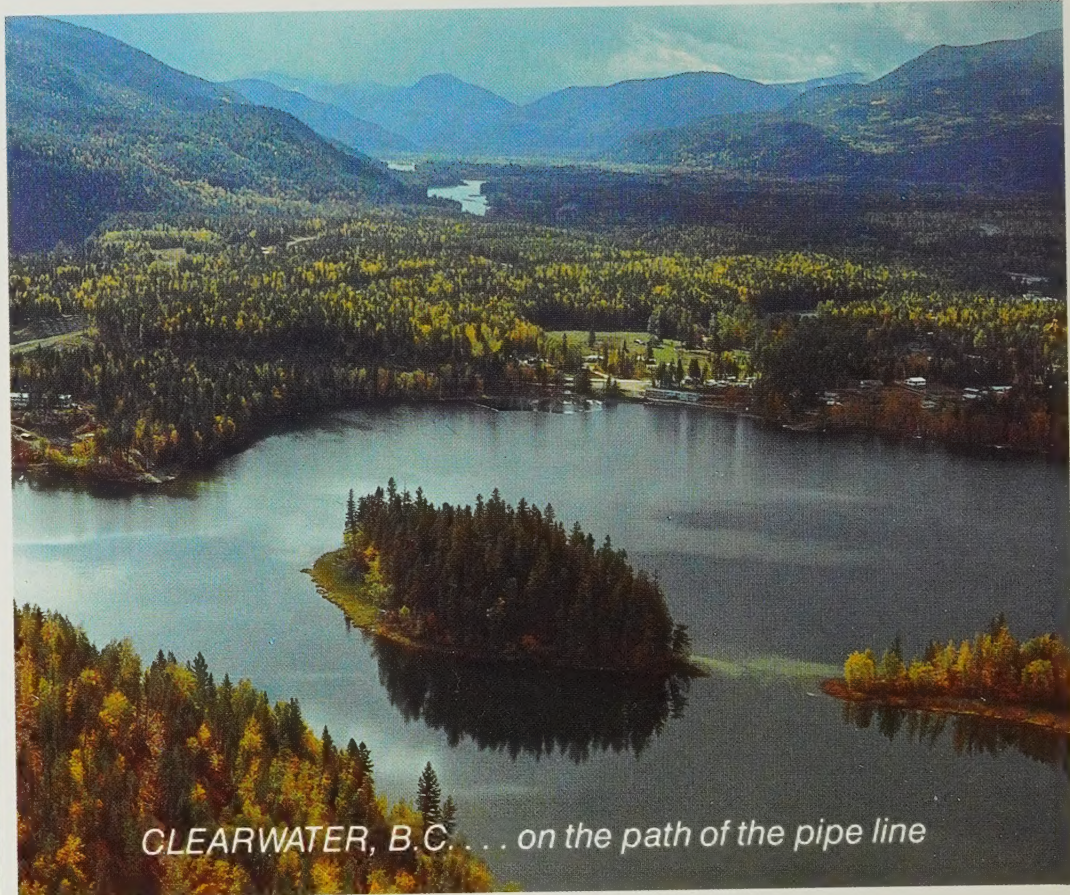
Pump Station and New Pipe Line Maintenance Garage — Jasper



D. MOUNTFORT, Field Project Engineer — Kamloops



S. PETERS, Div. Clerk & J. YAMAMOTO, Steno - Clerk — Kamloops



**ENERGY ON THE MOVE** On September 6, 1979 the two billionth barrel of crude oil was delivered to coastal refineries through the Trans Mountain system to satisfy an energy-hungry Pacific Northwest.

Prior to construction of the pipeline, British Columbia imported all of its petroleum requirements, some as crude oil, the balance as refined products, mostly by tanker. These imports constituted a substantial drain on Canada's foreign exchange position.

The tremendous value a pipeline plays in its role of transporting oil to market can never be over-estimated. Oddly enough in the case of Trans Mountain (after delivering over two billion barrels) authoritative conjecture indicates that, after 26 years of successful operation, if the construction of the line was proposed today it likely would never be built. The paramount reasons being the present day maze of environmental restrictions and regulations and the fact that construction costs would require a tariff over three times the existing rates to make it economically feasible.

Today, important transportation decisions in both Canada and the U.S. are being delayed by legal challenges to the regulatory process and the tantalizing slowness of achieving environmental clearance.

There is a real shortage in pipeline systems. Here we are in Canada facing a growing need for offshore crude oil and there is not a crude oil unloading dock connected to a pipeline leading inland anywhere in Canada. The Alyeska Pipeline is delivering 1.5 million barrels per day to Valdez, Alaska, all of which must be moved by water. Two-thirds of this oil is being used by refineries on the West Coast of the U.S.. Again, there is not one crude oil unloading dock anywhere on the West Coast connected to a pipeline leading inland and the balance must be moved through the Panama Canal at considerable transportation cost.



# Oil Movements



**JASPER NATIONAL PARK**  
... on the path of the pipe line

<b>TOTAL DELIVERIES</b>	1979	1978	1977
Cubic metres per day (including propane and jet fuel)	30,345.4	24,839.9	26,270.3
<b>DELIVERIES BY DESTINATIONS</b>	1979	1978	1977
	Cu. metres per day	Cu. metres per day	Cu. metres per day
	%	%	%
British Columbia refineries	22,450.8	19,737.5	19,708.5
Washington refineries	5,043.0	2,704.8	4,085.8
Westridge tankers (petroleum)	152.5	—	—
Westridge tankers (propane)	1,216.1	1,171.8	1,316.6
Vancouver Airport (jet fuel)	1,483.0	1,225.8	1,159.4
	30,345.4	24,839.9	26,270.3
	100.0	100.0	100.0

Natural gas liquids, in the form of condensate and butane, represented approximately 6.0% of the total volume transported.  
In 1978 these accounted for about 6.9% of the volume.

<b>DELIVERIES BY CALENDAR QUARTERS</b>	Cubic Metres Per Day		
	1979	1978	1977
<b>Petroleum</b>			
First Quarter	26,063.2	21,398.2	22,578.7
Second Quarter	26,590.0	22,369.6	23,465.1
Third Quarter	28,147.5	21,654.5	23,630.9
Fourth Quarter	29,738.7	24,323.4	25,472.6
<b>Propane</b>			
First Quarter	1,425.0	951.8	951.7
Second Quarter	938.0	939.2	1,293.2
Third Quarter	1,571.6	1,394.2	1,614.0
Fourth Quarter	931.5	1,394.5	1,399.5
<b>Jet Fuel</b>			
First Quarter	1,295.1	1,110.3	1,012.7
Second Quarter	1,524.2	1,237.1	1,199.4
Third Quarter	1,751.5	1,395.7	1,334.7
Fourth Quarter	1,357.7	1,158.0	1,087.7

Total deliveries for the first quarter of 1980 are expected to average 30,100 cubic metres per day.

<b>SUMMARY OF OIL RECEIVED</b>	Cubic Metres Per Day		
	1979	1978	1977
<b>Petroleum</b>			
Edmonton	23,147.7	18,616.1	19,378.2
Edson	1,386.3	1,407.4	1,633.2
Kamloops	2,961.3	2,580.5	2,804.1
	27,495.3	22,604.0	23,815.5
<b>Propane</b>			
Westridge	1,244.0	1,205.6	1,336.3
<b>Jet Fuel</b>			
Vancouver refineries	1,482.4	1,225.7	1,159.4

<b>STATISTICS FOR COMPARATIVE PURPOSES</b>	1979	1978	1977
Cubic metre kilometres (millions)	10,554	8,523	9,036
Average length of haul (kilometres)	1,045.9	1,040.5	1,039.6



# Consolidated Balance Sheet

## Trans Mountain Pipe Line Company Ltd.

and Wholly-owned Subsidiary Companies

### ASSETS

December 31

#### Current assets:

	1979	1978
Cash	\$ 288,724	\$ 368,988
Short-term bank deposits	13,119,760	7,850,000
Commercial notes, at cost plus amortized discount	1,973,432	3,995,988
Accounts receivable	3,910,062	3,106,391
Income taxes recoverable	—	265,860
Inventories —		
Supplies	1,702,809	1,704,242
Oil	1,064,866	691,453
Prepaid expenses	486,637	415,739
	<u>22,546,290</u>	<u>18,398,661</u>

#### Other assets and deferred charges:

Deposits, mortgages and deferred charges	590,810	647,237
Marketable securities, at cost (market value — \$3,033,232; 1978 — \$3,145,265)	2,986,498	3,055,269
Project development costs (Note 3)	1,359,142	—
	<u>4,936,450</u>	<u>3,702,506</u>

#### Fixed assets (Note 2):

Plant, at cost	165,474,497	165,895,865
Less: Accumulated depreciation and amortization	122,544,928	116,695,548
	<u>42,929,569</u>	<u>49,200,317</u>
	<u>\$ 70,412,309</u>	<u>\$ 71,301,484</u>



**LIABILITIES**

December 31

**1979****1978**

## Current liabilities:

Accounts payable and accrued liabilities

\$ 1,376,232

\$ 1,204,136

Income taxes payable

1,438,737—

2,814,969

1,204,136

Deferred income taxes

3,755,2195,382,538

6,570,188

6,586,674

**SHAREHOLDERS' EQUITY**

Capital stock (Notes 5 and 6)

15,785,767

15,785,767

Retained earnings

48,056,35448,929,043

63,842,121

64,714,810

\$ 70,412,309\$ 71,301,484

Approved by the Board of Directors:

Director

*R. L. Hall*

Director

*W. J. Johnson*



# Consolidated Statements of Income and Retained Earnings

	Year ended December 31	
	1979	1978
<b>INCOME</b>		
Income:		
Operating revenue	\$35,338,023	\$28,763,324
Income from investments	1,979,291	1,348,574
Sundry income	336,223	219,671
Exchange (loss) gain on consolidation of U.S. subsidiary	(62,643)	309,017
	<u>37,590,894</u>	<u>30,640,586</u>
Charges:		
Operating expenses, other than those stated below	11,581,890	10,615,543
Taxes, other than income taxes	3,311,640	3,483,806
Depreciation and amortization (Note 1(d))	6,410,285	6,545,551
	<u>21,303,815</u>	<u>20,644,900</u>
Income before income taxes	<u>16,287,079</u>	<u>9,995,686</u>
Provision for income taxes:		
Current	9,690,319	6,800,991
Deferred	(1,627,319)	(1,735,991)
	<u>8,063,000</u>	<u>5,065,000</u>
Net income for the year	<u>\$ 8,224,079</u>	<u>\$ 4,930,686</u>
Net income per share	<u>\$ 1.08</u>	<u>\$ 0.65</u>
 <b>RETAINED EARNINGS</b>		
Retained earnings at beginning of year	\$48,929,043	\$53,095,125
Net income for the year	<u>8,224,079</u>	<u>4,930,686</u>
	57,153,122	58,025,811
Dividends — \$1.20 per share (1978 — \$1.20 per share)	<u>9,096,768</u>	<u>9,096,768</u>
Retained earnings at end of year	<u>\$48,056,354</u>	<u>\$48,929,043</u>



# Consolidated Statement of Changes in Financial Position

	Year ended December 31	
	1979	1978
Financial resources were provided by:		
Operations —		
Net income for the year	\$ 8,224,079	\$ 4,930,686
Items not involving an outlay (inflow) of working capital —		
Depreciation and amortization	6,410,285	6,545,551
Abandonment of unused rights-of-way	383,277	—
Deferred income taxes	(1,627,319)	(1,735,991)
	13,390,322	9,740,246
Net proceeds on disposal of fixed assets	14,856	90,609
Redemption of marketable securities	68,770	65,470
	<u>13,473,948</u>	<u>9,896,325</u>
Financial resources were used for:		
Additions to fixed assets	537,670	810,639
Increase in other assets and deferred charges	1,302,714	24,290
Dividends paid	9,096,768	9,096,768
	<u>10,937,152</u>	<u>9,931,697</u>
Increase (decrease) in working capital	2,536,796	(35,372)
Working capital at beginning of year	<u>17,194,525</u>	<u>17,229,897</u>
Working capital at end of year	<u>\$19,731,321</u>	<u>\$17,194,525</u>



# Notes to Financial Statements

December 31, 1979

## 1. ACCOUNTING POLICIES:

### (a) Principles of consolidation —

The consolidated financial statements include the accounts of Trans Mountain Pipe Line Company Ltd. and its wholly-owned Canadian subsidiaries, Trans Mountain Enterprises of British Columbia Limited, Trans Mountain Housing Limited and Alpac Construction & Surveys Limited and Trans Mountain Oil Pipe Line Corporation in the United States.

### (b) Foreign currency translations —

The accounts of Trans Mountain Oil Pipe Line Corporation, the United States subsidiary company which owns and operates the pipe line in the State of Washington, and United States dollar balances of Trans Mountain Pipe Line Company Ltd. have been expressed in Canadian dollars on the following bases —

Current assets and liabilities, at the rate of exchange on December 31;

Fixed assets, project development costs and deferred income taxes, at historical rates of exchange;

Accumulated depreciation, on the basis of the equivalent Canadian dollar cost of the related fixed assets;

Income and expenses, except depreciation, at month-end rates of exchange.

### (c) Inventories —

Supplies are valued at the lower of cost and replacement cost, cost being determined principally on a moving-

average basis. Crude oil inventories are valued at net realizable value.

### (d) Depreciation and amortization of fixed assets —

Depreciation is generally provided by the straight-line method on the basis of service life according to class of assets at rates varying from 2¼% to 20%. The average rate on depreciable assets was 3.20% in 1979 and 3.25% in 1978. Certain assets, on the direction of The National Energy Board, have been designated as not fully in use and are being amortized over a period of five years ending in 1982.

During 1979 the Company completed a review of depreciation rates and practices and concluded that a reasonable estimate of the remaining useful economic life of the pipeline facility would be a period of ten years ending January 1, 1990. As a result, with the approval of The National Energy Board, certain of the existing depreciation rates currently in use are being adjusted effective January 1, 1980 to reflect the extended service life. Certain other changes were also approved at that date to the asset groupings for depreciation purposes and to the methods of calculating depreciation in order to more equitably reflect future annual depreciation charges. The estimated effect of these changes will be to reduce depreciation expense for the year ending December 31, 1980 by approximately \$1,000,000.

## 2. FIXED ASSETS:

Fixed assets comprise —

	1979		1978
	Cost	Accumulated depreciation and/or amortization	Net book value
Canada —			
Crude oil pipeline system in service	\$121,610,983	\$ 92,800,308	\$28,810,675
Incomplete construction	7,607	—	7,607
Assets specially classified	27,588,308	21,403,192	6,185,116
Propane handling and common dock facilities	6,811,303	3,761,576	3,049,727
Jet fuel pipeline system	2,313,916	713,807	1,600,109
U.S.A. —			
Crude oil pipeline system	7,142,380	3,866,045	3,276,335
	<u>\$165,474,497</u>	<u>\$122,544,928</u>	<u>\$42,929,569</u>
			<u>\$49,200,317</u>



At the present time crude oil deliveries to refineries in the State of Washington have been reduced to only modest quantities arranged through exchange agreements. This has resulted in uncertainty as to the ability of Trans Mountain Oil Pipe Line Corporation, the wholly-owned United States subsidiary which serves this area, to recover in full the undepreciated cost of its facilities, which at December 31, 1979 aggregated \$3,276,335 (\$3,320,813 U.S.). Recovery of this investment is dependent on the volume of future throughput or alternative use of the facilities.

### 3. PROJECT DEVELOPMENT COSTS:

During the year the Company incurred costs of \$1,359,142 in connection with its proposal to construct and operate a west-to-east crude oil delivery system to serve the needs of the northern tier states of the United States. In January 1980, a competing proposal was awarded certain privileges in the form of permit expediting by the U.S. federal government subject to that group being able to arrange suitable financing by the end of 1980. In view of the significantly higher cost of that proposal, uncertainty exists as to the ability to raise the necessary funds. If such funding is not obtained, the U.S. federal government has identified the Trans Mountain proposal as the only viable alternative. As a result the proposal is not considered to be aborted at December 31, 1979 and the costs related thereto have been deferred in the financial statements. If at any time the Trans Mountain proposal is abandoned, the deferred costs will be charged against earnings in that fiscal year.

### 4. RETIREMENT PLAN:

The Company has a retirement plan covering substantially all employees. An actuarial report on the plan as at December 31, 1978 indicated that additional

funding of \$1,404,879 in respect of past service benefits was required. Based on actuarial advice, \$410,000 of this obligation was provided for and funded in 1979 and the remainder is being funded and charged to operations principally over the period from 1980 to 1984 inclusive.

### 5. INCENTIVE STOCK OPTION PLAN:

The Incentive Stock Option Plan was approved by the shareholders on April 8, 1970. On November 7, 1973 options were granted to key employees to purchase 27,500 shares at a price of \$13.8375 per share, being 90% of the closing market quotation on that date. As at December 31, 1979 none of the aforementioned options have been exercised. The Incentive Stock Option Plan and any options then outstanding will expire on February 10, 1980.

### 6. CAPITAL STOCK:

The Company's share capital at December 31, 1979 is composed of 7,580,640 issued and outstanding shares. During the year, the Company applied for and received a Certificate of Continuance under the Canada Business Corporations Act. As part of the Articles of Continuance, the previous Class A and Class B shares were redesignated to create a single class of shares, each previous share of each class constituting one outstanding new share of the Company. At the same time, the limit on the authorized share capital of the Company was eliminated.

### 7. REMUNERATION OF DIRECTORS AND OFFICERS

The remuneration received by directors and officers of the Company (of which \$4,900 was received by directors from a subsidiary company) is as follows —

Directors		Officers		Officers who were also directors
Number	Amount	Number	Amount	
13	\$28,000	6	\$384,778	2

## AUDITORS' REPORT

To the Shareholders of Trans Mountain Pipe Line Company Ltd.:

We have examined the consolidated balance sheet of Trans Mountain Pipe Line Company Ltd. and wholly-owned subsidiary companies as at December 31, 1979 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

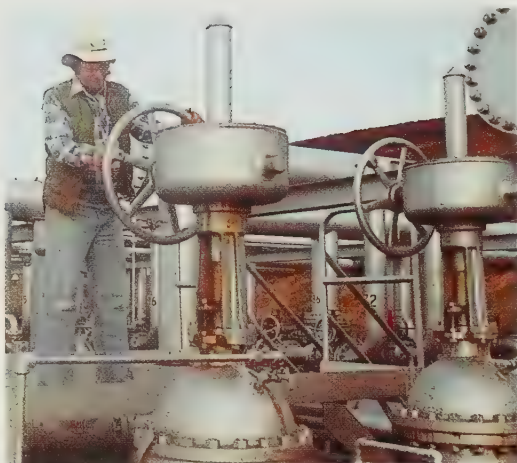
In our opinion these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 13, 1980  
Vancouver, B.C.

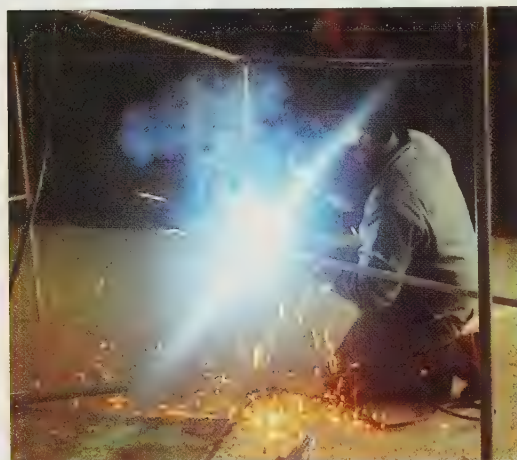
PRICE WATERHOUSE & CO.  
Chartered Accountants



# Trans Mountain Pipe Line Company Ltd.



R. NIELSEN, Trainee — Burnaby



D. KNIGHT, Technician 2 — Burnaby



D. DAVIES, Terminal Gauger 2 — Burnaby



## THE TRANS MOUNTAIN FAMILY

The Company recognizes that employee welfare is the most important consideration to its success.

Family participation in social activities is encouraged and at key points across the line the employees have formed social clubs for that purpose.

It is Company policy to employ only Canadian citizens or landed immigrants with the exception of American citizens employed in the State of Washington by Trans Mountain Oil Pipe Line Corporation.

A program of continuous training is used to keep pace with technical changes and advances in methods and equipment. Effective use is made of a variety of training courses offered in Canada and the United States. These include apprenticeship programs at vocational schools in British Columbia and Alberta as well as courses offered by suppliers of specialized equipment. Use is also made of management and technical training at the university level.



# Five Year Comparison

KAMLOOPS, B.C.  
... on the path of the pipe line



IN MILLIONS OF DOLLARS		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
<b>EARNINGS</b>	1975																		
	1976																		
	1977																		
	1978																		
	1979																		
<b>DIVIDENDS</b>	1975																		
	1976																		
	1977																		
	1978																		
	1979																		
<b>DECREASE IN RETAINED EARNINGS</b>	1975	(Increase of \$1.9 millions)																	
	1976																		
	1977																		
	1978																		
	1979																		
<b>TAXES</b>	1975																		
	1976																		
	1977																		
	1978																		
	1979																		
<b>OPERATING COSTS</b>	1975																		
	1976																		
	1977																		
	1978																		
	1979																		
<b>INTEREST ON DEBT</b>	1975	(None)																	
	1976	(None)																	
	1977	(None)																	
	1978	(None)																	
	1979	(None)																	
<b>DEPRECIATION</b>	1975																		
	1976																		
	1977																		
	1978																		
	1979																		

\*(INCLUDES ACCELERATED AMORTIZATION IN 1978 AND 1979 ON ASSETS SPECIALLY CLASSIFIED AS NOT FULLY IN USE)



## IT'S HAPPENING AGAIN

Trans Mountain maintains a marine loading terminal in British Columbia, located on Burrard Inlet in Vancouver's inner harbour near Burnaby Terminal. Crude oil deliveries to tankers or barges can be handled at the rate of 25,000 barrels per hour.

Exigencies such as happened some six years ago (tanker shipments to the East Coast) have re-occurred and the offshore shipments of crude oil using Trans Mountain facilities are again in demand.

Due to such emergencies there have been 224 tankers loaded at the Westridge dock with a total of over 37 million barrels for offshore shipment.

In early December a 60,000 ton Liberian tanker, the "ARCTIC STAR" picked up a record load of 351,000 barrels of Alberta crude for delivery to a refinery near Quebec City. Normally Canadian oil refineries east of Montreal get their oil from the Middle East or Venezuela. The shipment is a sign of the difficulties some eastern refiners are experiencing in trying to obtain adequate supplies of crude oil.

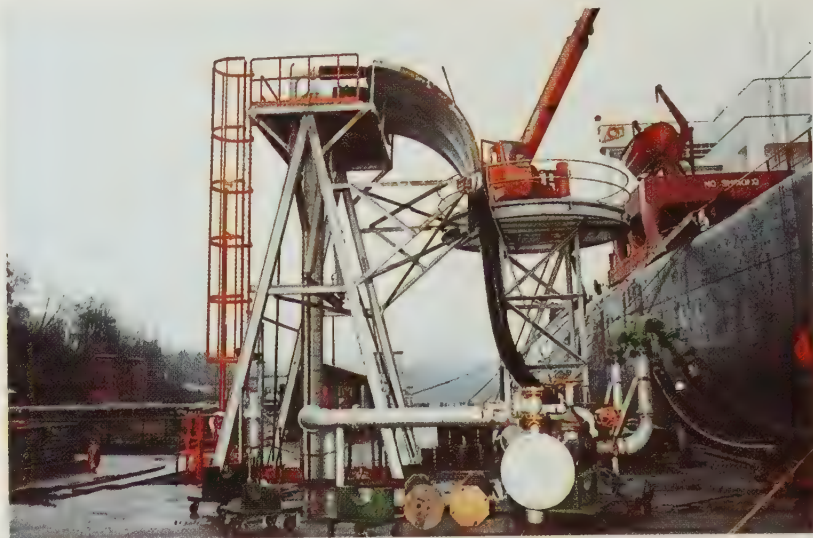
Facilities are available at Westridge as well for receiving propane from railway tank cars, refrigerating at rates up to 10,000 barrels per day and storing at  $-48^{\circ}$  Fahrenheit in two 175,000 barrel insulated tanks. Delivery aboard refrigerated tankers can be accomplished at rates to 10,000 barrels per hour.



An aerial view of the "YAMAHIDE MARU", a refrigerated Japanese tanker loading liquid propane gas at the Trans Mountain Westridge Terminal. The 30,000 ton ship has been delivering LPG cargoes to Japan from Westridge since October 28, 1966.



The largest single shipment of crude oil through Trans Mountain's Westridge marine terminal was loaded onto the "ARCTIC STAR" in less than 24 hours.





## UP, UP AND AWAY

A wholly-owned subsidiary, Trans Mountain Enterprises of British Columbia Limited operates a turbine fuel pipeline which originates from the Greater Vancouver refinery area to its terminal situated at the Vancouver International Airport, a distance of approximately 22 miles. The pipeline is 6½ inch O. D. and is capable of pumping at rates up to 17,000 barrels per day.

The terminal at the airport consists of four 10,000 barrel tanks and one 5,000 barrel tank. These facilities are tied into a distribution and aircraft refueling system owned and operated by others.

Since the start of operation in 1970 to the end of 1979, the pipeline has delivered 22,322,103 barrels of jet fuel.

Prior to the start of the operation of the pipe line all of the turbine fuel was transported by tank trucks with an average load capacity of 7,000 gallons. The amount delivered since the start of operation would have required more than 110,000 trips by truck.



The Trans Mountain jet fuel pipe line downstream terminal is located on Sea Island adjacent to the airport.

The Vancouver International Airport was officially opened June 1, 1968 at a cost of \$24 million.





# Ten Year Summary



## FINANCIAL (in thousands of dollars)

Revenue .....	
Expense (including depreciation) .....	
Income taxes .....	
Net earnings .....	
Net earnings per share .....	
Dividends distributed .....	
Percentage of net earnings paid .....	
Dividends paid per share .....	
Working capital .....	
Capital additions to pipe line system .....	
Investment in plant (original cost) .....	
Investment in plant (less accumulated depreciation) .....	
Long term debt — (after deducting payments due within one year) .....	
Number of shares issued .....	
Number of shareholders .....	
Canadian .....	
U.S.A. ....	
U.K. ....	
Other .....	

## OIL MOVEMENT STATISTICS (in thousands of cubic metres)

Receipts:	
Petroleum	
Alberta .....	
British Columbia .....	
Total .....	
Jet Fuel .....	
Propane	
Alberta .....	
British Columbia .....	
Total .....	
Deliveries:	
Petroleum	
British Columbia .....	
Washington State .....	
Tankers .....	
Total .....	
Jet Fuel .....	
Propane	
Tankers .....	



Operating Expenses									
1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
\$ 37,591	30,641	31,042	37,683	44,901	52,042	53,231	52,978	45,735	45,555
\$ 21,304	20,645	19,544	22,020	22,032	21,977	21,702	19,644	17,045	15,751
\$ 8,063	5,065	5,585	7,935	11,530	15,713	15,905	15,984	14,318	15,552
\$ 8,224	4,931	5,912	7,728	11,339	14,352	15,624	14,321	14,372	14,252
\$ 1.08	0.65	0.78	1.02	1.50	1.89	2.06	1.89	1.89	1.89
\$ 9,097	9,097	9,097	9,097	9,476	9,476	9,476	9,476	8,326	8,288
111%	184%	154%	118%	84%	66%	61%	66%	58%	58%
\$ 1.20	1.20	1.20	1.20	1.25	1.25	1.25	1.25	1.10	1.10
\$ 19,731	17,195	17,230	15,782	14,247	10,486	4,205	1,424	7,268	7,508
\$ 538	811	830	866	1,749	1,269	6,151	4,025	4,422	1,644
\$165,474	165,896	165,438	164,944	164,363	162,965	162,216	156,323	152,578	148,282
\$ 42,930	49,200	55,026	59,939	64,542	68,279	72,461	71,466	72,437	72,882
\$ —	—	—	—	—	—	2,000	5,000	20,000	28,581
7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,534,640
12,976	13,468	14,079	14,351	14,879	15,058	15,100	15,568	16,609	19,247
12,053	12,434	12,932	13,564	14,062	14,229	14,255	14,671	15,682	18,251
847	959	1,065	697	725	734	738	766	777	827
28	28	31	36	36	36	36	39	46	55
48	47	51	54	56	59	71	92	104	114
1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
8,955	7,308	7,669	11,674	16,152	19,208	19,748	19,621	15,883	15,828
1,081	942	1,024	1,097	1,245	1,875	2,359	2,648	2,826	2,939
10,036	8,250	8,693	12,771	17,397	21,083	22,107	22,269	18,709	18,767
541	447	423	420	430	354	322	257	250	106
410	393	462	484	442	476	478	498	398	502
44	47	26	1	4	1	—	12	15	28
454	440	488	485	446	477	478	510	413	530
8,194	7,204	7,194	7,008	6,708	6,728	6,696	6,069	5,869	5,547
1,841	987	1,491	5,799	10,400	11,704	14,913	16,080	12,598	13,005
56	—	—	—	225	2,583	535	—	178	136
10,091	8,191	8,685	12,807	17,333	21,015	22,144	22,149	18,645	18,688
541	447	423	420	430	354	321	256	249	105
444	428	481	495	461	464	464	550	386	529





#### **A ROUND-THE-CLOCK OPERATION**

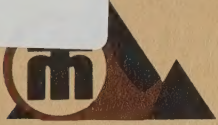
The Head Office of Trans Mountain is located in Vancouver. It is here that trunk line dispatching is handled by the shift dispatchers on a twenty-four hour basis. With the aid of computers and information received from control station operators the operation is coordinated to ensure the continued daily progress of crude oil through the system.

*"The youth of a nation  
Are the trustees of posterity"*

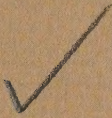
— Disraeli



**AR09**



**Trans Mountain  
Pipe Line Company Ltd.**



**6**

**MONTH  
INTERIM REPORT**

**FOR THE PERIOD ENDING JUNE 30, 1979**



## TO THE SHAREHOLDERS

### TRANS MOUNTAIN PIPE LINE COMPANY LTD.

Estimated consolidated net profits for the six months ended June 30, 1979 totalled \$3,842,000 or 50.7 cents per share outstanding. Corresponding results for the first half of 1978 were \$2,387,000 or 31.5 cents per share. The comparatively higher earnings in the first half of 1979 are directly attributable to the increased throughputs as illustrated in the table of deliveries shown below. It can be expected that the second half earnings will be somewhat lower than those of the first six months.

Dividends totalling 60 cents per share paid in the six months ended June 30, 1979 exceeded the estimated current earnings for the period by 9.3 cents per share or approximately 18%.

Average daily deliveries are shown hereunder:

	1979		1978	
	Cubic Metres	%	Cubic Metres	%
First Half Year:				
Petroleum:				
B.C. Refineries	21,495.7	81.6	19,363.8	88.5
U.S. Refineries	4,832.4	18.4	2,522.7	11.5
	26,328.1	100.0	21,886.5	100.0
Jet Fuel	1,410.3		1,174.0	
Propane to Japan	1,180.1		945.4	
	28,918.5		24,005.9	
First Quarter	28,783.3		23,460.3	
Second Quarter	29,052.2		24,545.7	
Third Quarter	†26,100.0		24,444.5	
Fourth Quarter	†28,700.0		26,875.7	
	†estimated			

Deliveries to U.S. refineries are entirely dependent upon exchange agreements requiring government approval, and, with the complexities of the oil supply situation in both countries, are very difficult to predict with any degree of certainty.

As previously reported the Company's appeal in the matter of the National Energy Board's rate hearing decision was dismissed in the Federal Court of Appeal and subsequently leave to appeal to the Supreme Court of Canada was denied.

Trans Mountain's applications for approval to construct and operate a 30-inch pipeline system from a port in Washington State near Port Angeles to Edmonton, Alberta are continuing to be processed in both countries. It is anticipated that the National Energy Board will schedule hearings for early autumn of this year to consider this company's Canadian application and other similarly filed proposals to enable surplus Alaskan oil and other offshore oil to move by pipeline to mid-west refineries in the U.S.A. The United States Government is expected to make a policy announcement on this matter by about the end of the year.

Vancouver, B.C.  
August 15, 1979

K.L. Hall, President



# CONSOLIDATED FINANCIAL SUMMARY

First Half Year  
1979      1978

Average daily oil deliveries  
in cubic metres\* ..... 28,918.5   24,005.9

(in thousands of dollars)

## INCOME:

Operating revenue .....	\$16,992	\$13,798
Income from investments .....	<u>913</u>	<u>644</u>
	<u>\$17,905</u>	<u>\$14,442</u>

## CHARGES:

Operating expenses .....	\$ 5,295	\$ 4,845
Taxes other than income taxes .....	1,685	1,773
Provision for depreciation .....	<u>3,263</u>	<u>3,257</u>
	<u>\$10,243</u>	<u>\$ 9,875</u>
Profit before income taxes ...	\$ 7,662	\$ 4,567
Provision for income taxes:		
Current .....	4,685	3,027
Deferred .....	<u>(865)</u>	<u>(847)</u>
	<u>3,820</u>	<u>2,180</u>
Earnings for the period .....	<u>\$ 3,842</u>	<u>\$ 2,387</u>
Profit per share .....	<u>50.7¢</u>	<u>31.5¢</u>

\*Includes propane deliveries out of Westridge Terminal and jet fuel to Vancouver International Airport.

The above amounts are subject to independent audit and adjustment of certain items ordinarily calculated on an annual basis.

APPROVED BY THE BOARD OF DIRECTORS:

*R. L. Hall*

, Director

*Changfong*

, Director



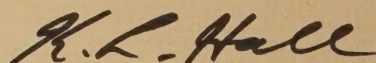
# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

*for the six months ended June 30, 1979  
(with comparable amounts for the half year  
ended June 30, 1978)*

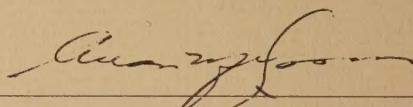
	1979	1978
	<i>(in thousands of dollars)</i>	
SOURCE:		
Earnings for the period ....	\$ 3,842	\$ 2,387
Add:		
Non-cash charges to earnings		
Depreciation .....	3,263	3,257
	<u>\$ 7,105</u>	<u>\$ 5,644</u>
Redemption of marketable securities .....	50	42
Proceeds from sale of fixed assets .....	5	54
	<u>\$ 7,160</u>	<u>\$ 5,740</u>
DISPOSITION:		
Increase in other assets and deferred charges ...	\$ 174	\$ 107
Additions to fixed assets ...	201	399
Previously deferred income taxes now current .....	865	847
Dividends paid .....	4,548	4,548
	<u>\$ 5,788</u>	<u>\$ 5,901</u>
Increase (decrease) in working capital .....	\$ 1,372	\$ (161)
Working capital at beginning of period .....	17,195	17,230
Working capital at end of period .....	<u>\$18,567</u>	<u>\$17,069</u>

*The above amounts are subject to independent audit and adjustment of certain items ordinarily calculated on an annual basis.*

APPROVED BY THE BOARD OF DIRECTORS:



\_\_\_\_\_, Director



\_\_\_\_\_, Director